

Contract Audits/Closeouts Guideline - 4.8.G (05/13/02)

[Last Update: \(05/13/02\) BDenman:kma - 4.8.G.0](#)

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This guideline was extensively revised to incorporate information required to perform contract closeout.

Definitions

Allowable cost - Cost and expenses (less applicable income and other credits) that are actually incurred by the Contractor, are applicable and properly chargeable, either as directly incident or as allocable through appropriate distribution or apportionment, to the performance of the contract work in accordance with its terms, and are determined by the SCR to be allowable pursuant to the contract, including the additional provisions, if applicable.

Audit reports - Reports that are prepared by SNL's Auditing Department before, during and after the duration of the contract.

Interim Audit – Any audit of an open contract that is incomplete.

Overrun - The audited amount which has exceeded the contract's authorized funding.

Unallowable Cost - Any cost which, under the provisions of the contract, cannot be included in prices, cost-reimbursements, or settlements under the contract to which it is allocable.

Variance - The difference between a pre-established cost and an actual measure.

SNL Contract Audits - 4.8.G.1

SNL's Contract Audit Department audits the Contractor's accounting records and financial operating procedures for the purpose of determining whether the Contractor's claimed charges constitute allowable charges under the terms of the contract. An audit may include the preparation of an initial or updating of an Accounting System Survey to obtain, among other assurances, a sufficient understanding of internal controls necessary to plan an audit and determine the nature, timing, and extent of tests to be performed. The SCR must obtain audit approval prior to the placement of a Cost Reimbursable contract.

Criteria used in evaluating the claimed charges include cost principles set forth in the Federal Acquisition Regulations (FAR), DOE Acquisition Regulations (DEAR), Cost Accounting Standards (CAS), and Generally Accepted Accounting Principles (GAAP).

Interim Audits - 4.8.G.2

Interim audits are received by the SCA and are routed to the SCR for review of unallowable/questionable costs, if applicable. The SCR is responsible for establishing resolution of the unallowable/questionable costs with the Contractor.

Final Audit Closeout - 4.8.G.3

A Final Audit will be performed on those contracts that have audit rights incorporated into the contract. Contract Audit should perform a final audit within three years of receipt of the final

invoice. If SNL is the cognizant auditing agency to the Contractor, final indirect rates will be established for the Contractor. If SNL is not the cognizant agency, a tentative complete audit will be issued until the cognizant agency has established final indirect rates for the Contractor. Upon completion of the final audit, the Auditor will discuss all findings with the Contractor. If the Contractor is in agreement with the final audit, they will be asked to sign a statement of concurrence attached to the Summary Schedule by the SNL Auditor(s). If monies are due to SNL per the final audit findings, restitution is to be made to the following address:

Sandia National Laboratories
P.O. Box 5800, MS-0189
Albuquerque, NM 87185-0189
Reference: Contract No._____

If the Contractor disagrees with the final audit finding, then the SNL Auditor will refer them to the SCR for resolution. The SCR is the first point of contact for the Contractor in resolving disputed costs per the final audit. If the SCR is unable to resolve the disputed findings, the SCR may recommend using the Acquisition Conflict Resolution Process (ACR) (see Guideline 5.8.G). This process may be used at the Contractor's discretion.

The SCR is the only person who can obligate SNL and who can negotiate a final closeout amount, regardless of the final audited amounts.

Alternative Closeout Process - 4.8.G.4

The Alternative Closeout (ACO) process is used at SNL Contract Audit's discretion. Similar to a formal final audit, a report is prepared reflecting any

- questioned costs/charges that were identified in any prior audits,
- items questioned/denied by Accounts Payable or the Sandia Delegated Representatives (SDRs), or
- any costs identified as questionable in the ACO process.

The SCA can proceed with the final closeout in the event there isn't any disputed cost associated with the ACO. In the event of questionable cost, the SCA will forward a copy of the report and the Closeout Information Notification (COIN) form to the SCR for action to be taken. The SCR is required to comply within 14 days of receipt of the notification.

The SCR is the only person who can obligate SNL and who can negotiate a final closeout amount, regardless of the final audited amounts. The SCR is the first point of contact for the Contractor in resolving disputed cost per final audit. If the SCR is unable to resolve the disputed audit findings, the SCR may recommend using the Acquisition Conflict Resolution (ACR) process (see Guideline 5.8.G). This process may be used at the discretion of the Contractor.

Overruns – 4.8.G.5

The final/interim audit report will reflect actual contract overruns. The SCA will review all overruns and will forward the report and the COIN form to the SCR for action to be taken. The SCR is required to comply within 14 days of receipt of the notification. The SCR is ultimately responsible for resolving all overruns.

Unallowable Costs Payments - 4.8.G.6

The SCA will generate a bill back form on all identified unallowable costs per interim/final audit. The SCA will generate a bill back if the unallowable amount is not over a dollar threshold set by the PHD, and if invoices have not been received within the last few months of the audit. Accounts Payable will apply all final payments made by the Contractor for unallowable cost against any outstanding final billings. If no outstanding billing exists, final monies collected from the Contractor will be deposited to the Variance Account (428.1). Interim payments made by the Contractor for unallowable cost cited in an interim audit will be applied directly to the contract.

Defective Pricing - 4.8.G.7

Defective pricing can occur on negotiated contracts that are greater than \$500K where the Contractor has submitted certified cost or pricing data. The Truth in Negotiations Act (TINA) 10 U.S.C. 2306a requires that the Contractor's cost or pricing data is accurate, complete and current at the time of certification (contract placement). (See Policy and Guideline 3.2 - Contract Price/Cost Consideration.)

If after a review it is determined that a price reduction is warranted, the SCR will attempt to get agreement from Contractor and reduce contract price, which could include interest. If Contractor agrees, the contract amount will be reduced accordingly. If agreement with Contractor cannot be reached, the SCR should consult with SNL Legal. If Legal concurs, the SCR will unilaterally reduce contract price or offset against other active contracts.

Firm-Fixed Price Orders/Contracts Closeout – 4.8.G.8

The Procurement Help Desk (PHD) will close all Firm-Fixed Price (FFP) orders/contracts when the matched amount is within $\pm 5\%$ of the contract amount. Once the contract is closed, excess funds will be released to the originating line organization. The SCA or the PHD will close all other FFP contracts, when the promise date has expired and after concurrence for closure has been received from the Requester and/or the SCR.

Send feedback on ideas and information on this page to the Process Expert, Bertie Denman.



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